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Arizona Department of Revenue Mission Statement

The purpose of the Arizona Department of Revenue is to promote voluntary compliance with all tax obligations through fair administration, firm enforcement, and prompt and courteous service in a manner that justifies the highest degree of public confidence in our efficiency and integrity.

Department of Revenue Reorganizes

Effective July 1, 2001, the Department of Revenue is reorganizing to position itself for its re-engineering (BRITS) project. The BRITS project is being developed to move the department from its current siloed tax structure to an Integrated Tax System which will improve customer service, the department's efficiency, and effectiveness. It is estimated that the project will take 5 years to complete and it involves modernization of the department's major tax systems and related technology. In order to position the department for this improved integrated approach to tax administration, the Department is

moving away from the siloed division organization to a Leadership Team format for strategic decisions. Strategic decisions include resource allocations such as staffing and budget allocations, cross unit or discipline policy decisions, and sponsorship of cross department action teams. In addition, functional areas are regrouped to improve communications and cross discipline decision making. Day to day activities, have been left pretty much in tact and unchanged. Support for tax practitioner inquiries remains intact in Customer Services (formerly Taxpayer Services Division). Self-managed teams are managing functional areas and executives are managing line functions.

E-Government Expanding at DOR

ADOR Web Site

The recently ended Income Tax Filing season (Jan. 1 through April 16) saw the Department of Revenue web site receive 6,261,930 hits with 1,975,116 forms, instructions and tax tables being downloaded. The filing season culminated on April 16 with nearly 500,000 hits and 200,000 downloads on that day alone. The ADOR web site was initiated in 1995 to provide tax forms via the Internet. Some 33 forms along with their instructions

and rate tables were offered that first year. No other information was provided at that time on the web site. During that first Income Tax filing season the web site received some 15,000 visitors (hits) with over 6,000 forms, instructions and rate tables downloaded. Since that time the web site has undergone considerable expansion. Currently there are over 800 forms, instructions and tax tables available for tax years 1995 - 2001. Since 1998 the forms have also been

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*****REMINDER*****

FOR NON-EFT TPT FILERS

**To avoid a delinquency, postmark your
May 2001 TPT return no later than
June 25, 2001 or deliver to DOR no later
than June 28, 2001.**

January Summary of General Fund Revenues

	January 2001	Fiscal Year Total
Individual Income Tax		
Net Collections	\$290,483,264	\$1,348,700,692
Percent Change *	(8.8%)	7.4%
Corporate Income Tax		
Net Collections	\$9,683,254	\$318,236,436
Percent Change *	55.9%	20.8%
Transaction Privilege, Severance & Use Taxes		
Net Collections	\$281,159,966	\$1,746,213,557
Percent Change *	4.1%	6.9%
Total Big Three Tax Types		
Net Collections	\$581,326,484	\$3,413,150,685
Percent Change *	2.4%	8.2%

() Decrease from same month last year.

* Percent change from same month last year.

Individual Income Tax

Individual Income Tax Receipts

	January 01	January 00	%Change
Gross Collections	\$103,690,175	\$106,597,443	(2.7)
Withholding	229,465,406	205,250,956	(11.8)
Refunds	(9,634,615)	(4,554,993)	(111.5)
Urban Rev Sharing	(33,037,720)	(31,475,916)	5.0%
Net Collections	\$300,166,500	\$275,817,490	8.8%
Fiscal Year Total	(00/01)	(99/00) %	Change
Gross Collections	\$295,943,415	\$287,905,063	2.8%
Withholding	1,381,376,036	1,281,442,345	7.8
Refunds	(97,354,719)	(93,055,945)	(4.6)
Urban Rev Sharing	(231,264,040)	(220,855,411)	5.0
Net Collections	\$1,348,700,692	\$1,255,960,053	7.4

Just a reminder...

Renew your subscription to the Arizona
TaxNews at least 30 days before expiration to
avoid missing issues.

TAX CALENDAR

JUNE 2001

Due Date		For Period Ending
15	Income Tax Returns:	2/28/01
	Form 120: Corporation	
	Form 140: Individual	
	Form 141: Fiduciary	
	Form 165: Partnership	
15	Form 120: Corporation with Automatic Extension	8/31/00
15	Form 120S: S Corporation	3/31/01
15	Form 99: Exempt Organization Annual Information Return	1/31/01
15	Form 99T: Exempt Organization	1/31/01
15	Form 120ES: Estimated Tax Payment, Corporation	
	First Installment	2/28/02
	Second Installment	12/31/01
	Third Installment	9/30/01
	Fourth Installment	6/30/01
20	Form TPT-1: Transaction Privilege Tax:	
	May Monthly Filers	5/31/01
20	Bingo: Financial Reports	5/31/01
20	Luxury Tax: Various Forms	5/31/01
25	EFT Form TPT-1 and Payment:	
	Transaction Privilege Tax	
	May Monthly Filers	5/31/01

Withholding Information:

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **exceeds** \$1,500 the employer must make its Arizona withholding payments to the Department of Revenue at the same time as the employer is required to make federal withholding deposits.

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **does not exceed** \$1,500 the employer must make its Arizona withholding payments to the department on a quarterly basis.

The Arizona Tax News is a monthly publication of the Arizona Department of Revenue. Information contained herein is of a general nature and is not designed to address complex issues in detail. Taxpayers requiring information concerning a specific tax matter should contact the appropriate office. This newsletter is available in alternative formats upon request by calling the telephone number shown below. Subscription information may be obtained from Tony Manzo at (602) 542-3062 or toll free 1 (877) 863-0655.

Arizona Unclaimed Property Procedure UNP 01-1

Procedure for Assessment of Penalties, Interest, and Examination Costs for Unclaimed Property
(This procedure supersedes UNP 97-1)

APPLICABLE LAW:

Arizona Revised Statutes (A.R.S.) Title 44, Chapter 3 (A.R.S. §§ 44-301 through 44-338) is the Revised Arizona Unclaimed Property Act effective January 1, 2001. The act provides, in general, that certain tangible and intangible personal property which is held, issued, or owing in the ordinary course of the holder's business, which has been, unclaimed by the owner for certain specified periods of time is presumed abandoned. The holder of such property is required to report and pay or deliver the property to the Department of Revenue.

A.R.S. § 44-322(A) provides that the department may require any person who has not filed an unclaimed property report or any person who the department believes has filed an inaccurate, incomplete, or false report to file a report stating whether or not the person is holding any unclaimed property.

A.R.S. § 44-322(B) provides that the department may examine the records of any person to determine whether the person has complied with the provisions of the act.

A.R.S. § 44-322(E) provides that the department may assess examination costs when an examination of records results in the disclosure of reportable and deliverable property.

A.R.S. § 44-326(A) provides that a person who fails to timely pay or deliver unclaimed property to the department may be required to pay interest at a rate of one and one-half per cent per month or fraction of a month on the property, or value of the property, from the date the property should have been paid or delivered.

A.R.S. § 44-326(B)(1) provides that a person who willfully fails to render any report or perform other duties required under the unclaimed property act shall pay a civil penalty of one hundred dollars for each day the report is withheld or the duty is not performed, but not more than five thousand dollars.

A.R.S. § 44-326(B)(2) provides that a person

who willfully fails to pay or deliver unclaimed property to the department shall pay a civil penalty equal to twenty-five percent of the value of the property that should have been paid or delivered.

A.R.S. § 44-329(A) provides for the payment or delivery of abandoned property not covered by the prior act that is covered by the revised act.

A.R.S. § 44-329(B) provides that the revised act does not relieve a holder from any duty to report, pay or deliver property that arose under the prior act.

DISCUSSION:

The Revised Arizona Unclaimed Property Act prescribes specific periods of time when unclaimed property is presumed abandoned and is required to be reported and paid or delivered to the department. The act also provides that the department may examine the records of any person to determine whether the person has complied with the provisions of the act. The department may require any person who has not filed an unclaimed property report to file a report stating whether or not the person is holding any unclaimed property. The act provides civil penalties for the willful failure to report or perform other required duties and for the willful failure to timely pay or deliver unclaimed property to the department.

When property is not paid or delivered at the prescribed time, a holder may be required to pay interest at the rate of one and one-half per cent per month or fraction of a month on the property, or value of the property, from the date the property should have been paid or delivered. Additionally, if an examination of records results in the disclosure of property reportable and deliverable, the department may assess the cost of the examination against the holder at the rate of one hundred dollars per day per examiner. Such examination costs may not, however, exceed the value of the property found to be reportable and deliverable. The

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Maricopa County Car Rental Surcharge

The new car rental surcharge that was approved by the voters in November became effective on March 1, 2001. The new surcharge helps to provide funding for the activities of the Tourism and Sports Authority, including the construction of a football stadium. If you are engaged in the business of leasing or renting motor vehicles, please review the following provisions of this new statute to ensure that you have a complete understanding of how this may affect your business.

- The surcharge applies to the business of leasing or renting, for less than one year,

motor vehicles that are designed to operate on the streets and highways of this state and that are primarily intended to carry not more than 14 passengers. It does not matter whether the vehicle is registered or licensed in this state.

- The rate of the surcharge is 3.25% of the gross proceeds or gross income from the business, or \$2.50 on each lease or rental, whichever is more.
- The amount of the surcharge is not

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assessment of interest for failure to timely pay or deliver unclaimed property to the department and the assessment of examination costs is at the department's discretion.

The transitional provisions of the Revised Arizona Unclaimed Property Act provide that property subject to the prior act is still reportable and a holder is subject to penalties and interest if the property has not been properly reported.

PROCEDURE: **Civil Penalties**

The department will assess the civil penalty for failure to report or perform other duties required by the act and the civil penalty for failure to timely pay or deliver unclaimed property to the department when the department determines that such violations were willful.

Interest and Examination Costs

Generally, the department will assess a holder of unclaimed property interest and examination costs when the department determines the following as the result of a compliance examination:

1. The holder has property subject to the Arizona Uniform Unclaimed Property Act or the Revised Arizona Unclaimed Property Act which has not timely been reported and paid or delivered to the department; and
2. The holder has knowledge of the existence and application of the Arizona Unclaimed

Property Act or the Revised Arizona Unclaimed Property Act.

The department will consider the following in determining whether a holder has knowledge of the existence and application of the acts.

1. The holder has previously been subject to an unclaimed property compliance examination by the department or by an agent of the department.
2. The holder has previously received a request from the department to file an unclaimed property report stating whether or not the holder was holding any unclaimed property.
3. The holder has previously filed unclaimed property reports.
4. The holder has previously received a written communication from the department concerning the application of the acts.

The foregoing is intended to provide a general criteria for assessment of interest and examination costs for failure to timely pay or deliver unclaimed property to the department. This criteria is not intended to limit exercise of the department's discretion to assess interest and examination costs in other situations when the extent and gravity of the violation warrant.

Mark W. Killian, Director

Signed: April 7, 2001

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available in a "fillable" format. The web site has also seen the addition of almost all of the department's public access information. Items such as Rulings, Procedures, Publications, and E-File Information are just a few of the things that are now available on the web site. Other customer convenience features such as a Tax Professional Center, ADOR Updates subscription list. Pop-Up Instructions and E-File Providers list have also been added. The amount of users has risen significantly from the 15,000 hits and 6,000 downloads back in 1996. Although the numbers are impressive by themselves the best is yet to come-E-GOVERNMENT. Keep checking the web site for the new services and inter-active features that will be appearing in the near future.

E-file and Direct Deposit

E-file has been available since 1998 however 2001 is the first year Direct Deposit is available to

Arizona taxpayers. As of April 18, 2001 the Department of Revenue downloaded 401,110 returns and received 121,432 requests for direct deposit through it's new e-file program. The bank reject rate for direct deposits is 0.66% (764 out of 115,094 transmitted). That's 114,330 warrants that didn't have to be mailed. These "electronic warrants" amount to \$85,455,317.60.

Other innovations in electronic data management include "2D Bar-coding", DOR along with several income tax software vendors, is currently developing two dimensional bar- coding capability. 2D Bar-coding will enable significantly higher amounts of data to be transferred than the typical line bar-code. Taxpayers using approved vendor software will be able to print a form which will include the 2D code. The 2D code will drastically reduce the amount of keystrokes necessary to enter the return into the department's systems.

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included in your taxable gross income when calculating the amount of transaction privilege tax that is due on a rental.

- The rate of the surcharge is \$2.50 when a vehicle is loaned to a person temporarily to use as a replacement while the vehicle that it is replacing is not in use because of breakdown, repair, service, damage or loss.
- The rate of the surcharge is \$2.50 when a vehicle is rented by a person temporarily to use as a replacement while the vehicle that it is replacing is not in use because of breakdown, repair, service, damage or loss.
- The surcharge does not apply to the lease or rental of a motor vehicle to an automobile dealership, a repair facility, an insurance company or any other person that provides that vehicle at no charge to a person whose own motor vehicle is being repaired, adjusted or serviced.
- The surcharge is not in addition to the car

rental surcharge for baseball spring training that you have been remitting in the past, however, you will have to report the surcharge in a different manner.

Instead of reporting all car rental surcharge amounts on the MAR053 line on the TPT-1 return, you will have to report the surcharge on two lines. The first line, with a code of MAR053, is for reporting the product of \$2.50 multiplied by the total number of contracts in the month. The number of contracts must be reported in the "Gross" column. You will no longer need to write in the number of contracts on the back of the return. The second line, with a code of MAR153, is for reporting the remainder of the surcharge collected at the higher 3.25% rate.

- If you have questions, please call Taxpayer Information and Assistance at (602) 255-2060 or 1-800-843-7196.

Tax Year 2000 IRS & Arizona E-file Calendar

FOR RETURN TAX PERIOD -- January 1 - December 31, 2000 -- ONLY

- ◆ January 12, 2001 / begin transmitting Live e-file Returns.
- ◆ April 16, 2001 / was the last date for transmitting Timely Filed Returns.
- ◆ April 16, 2001 / was the last date for transmitting Timely Filed Forms 4868.
- ◆ April 21, 2001 / was the last date for re-transmitting Rejected Timely Filed Returns.
- ◆ April 21, 2001 / was the last date for re-transmitting Rejected Timely Filed Forms 4868
- ◆ April 30, 2001 / was the last date IRS accepted Test Transmissions.
- ◆ May 31, 2001 / will be the last date for submitting New Application Forms 8633.
- ◆ August 15, 2001 / will be the last date for transmitting Returns on Extension From Form 4868.
- ◆ August 15, 2001 / will be the last date for transmitting Timely Filed Forms 2688.
- ◆ August 20, 2001 / is the last date for re-transmitting Rejected Returns on Extension From Form 4868.
- ◆ August 20, 2001 / will be the last date for re-transmitting Rejected Timely Filed Forms 2688.
- ◆ October 15, 2001 / will be the last date for transmitting Late or Returns on Extension From Form 2688.
- ◆ October 20, 2001 / is the last date for re-transmitting Rejected Late or Returns on Extension From Form 2688.